



## SMALL BUSINESS IMPACT STATEMENT 2014

AS REQUIRED BY NRS 233B.0608

PROPOSED AMENDMENT TO NAC 645F

### **Background**

Assembly Bill 480 ("AB 480"), adopted into law during the 78<sup>th</sup> Session of the Nevada Legislature (2015), amended NRS 645F to require the licensure and supervision of mortgage servicers in Nevada. AB 480 charged the Division of Mortgage Lending with the responsibility and authority to adopt regulations to implement and administer a licensing and supervisory program to regulate mortgage servicers in Nevada.

Accordingly, the Division proposes to amend Chapter 645F of the Nevada Administrative Code ("NAC 645F") to create a program to license and supervise mortgage servicers. The proposed regulations amend NAC 645F in the following manner:

- Provide the requirements and manner of submission for initial and renewal applications for licensure as a mortgage servicer.
- Provide the initial and annual financial statement submission and requirements.
- Provide for minimum net worth and surety bonding requirements.
- Provide for fees and assessments to file an application to obtain, renew or amend a license.
- Provide certain reporting and compliance requirements for mortgage servicers and for periodic examinations and investigations of mortgage servicers.
- Provide for costs of supervision and examination.

To determine whether the proposed regulation would impose a direct and significant economic burden upon small business, the Division sent a copy of the proposed regulation and a solicitation for comments on whether the proposed amendment would have any direct significant impact on small business or would restrict the formation, operation, or expansion of small business through an email notice to its licensees and current mortgage loan servicer registrants under NRS 645F.265. The e-mail included approximately 447 recipients, and was additionally posted on the Division's website, the State's official website, and at the Division's office.

The Commissioner of Mortgage Lending has determined that the proposed regulation may impose a significant and direct economic burden upon a small business or restrict the formation, operation or expansion of a small business.

A small business is defined in NRS 233B as a “business conducted for profit which employs fewer than 150 full-time or part-time employees.”

This small business impact statement complies with the requirements of NRS 233B.0609.

**1. A description of the manner in which comment was solicited from affected small businesses, a summary of their response and an explanation of the manner in which other interested persons may obtain a copy of the summary.**

The Division sent an email notice to its licensees and current mortgage loan servicer registrants under NRS 645F.265, containing the proposed regulation amendments and soliciting comments concerning whether the proposed regulation would:

- (a) Have any direct significant impact upon your business or other small business that is subject to AB 480; or
- (b) Restrict the formation, operation, or expansion of your business or another small business that is subject to AB 480.

The Division received 1 comment concerning the possible impact of the regulation relating to exemptions. No other comments were received out of the 447 email notices distributed.

Any other person interested in obtaining a copy of the summary may email, call, or mail their request to the Division of Mortgage Lending at:

Division of Mortgage Lending  
7220 Bermuda Road, Suite A  
Las Vegas, Nevada 89119  
Phone: (702) 486-0780  
Email: [MLDInfo@mld.nv.gov](mailto:MLDInfo@mld.nv.gov)

The Division also reached out to a variety of stakeholders, including current escrow agency licensees, residential mortgage loan servicers licensed in other jurisdictions, and the Nevada Mortgage Lenders Association, with the introduction of AB 480 and discussed provisions within the bill and possible impact on the industry. Those discussions, comments and suggestions resulted in amendments to AB 480 to address the feedback that had been received. The Division expects to further discuss the proposed regulation’s impact at the October 1, 2015 workshop.

**2. The manner in which the analysis was conducted.**

The Division reviewed and considered the comment received in response to the email notice and those comments received concerning AB 480 as introduced.

- 3. The estimated economic effect of the proposed regulation on the small businesses which it is to regulate, including, without limitation:**
- a. Both adverse and beneficial effects; and**

The proposed regulation may have an adverse economic impact on small business as it will impose fees on applicants and licensees for initial licensing, annual license renewals, and license amendments, and assess costs for supervision and examination. The proposed regulation also sets minimum net worth and surety bond requirements.

The foreclosure crisis revealed the significant risk of consumer and homeowner harm that may arise from the servicing of mortgage loans. Until the passage of AB 480, foreign mortgage servicers have not been subject to licensure or supervision under Nevada law. Through the passage of the proposed regulation there will be a regulatory watchdog over the many non-depository entities servicing Nevada mortgage loans to ensure that they are complying with applicable laws and properly accounting for the loans they are servicing.

**b. Both direct and indirect effects.**

See answer to Question #3(a).

- 4. A description of the methods that the agency considered to reduce the impact of the proposed regulation on small businesses and a statement regarding whether the agency actually used any of those methods.**

To reduce the impact of the proposed regulation on small businesses, the Division conducted an analysis of the fees under its existing licensing programs and those assessed by other licensing jurisdictions, and sought comment from stakeholders in order to establish a fee structure. The Division anticipates further discussion at the workshop.

- 5. The estimated cost to the agency for enforcement of the proposed regulation.**

The Division anticipates costs for the implementation and enforcement of the proposed regulation to be approximately \$425,000 in fiscal year 2016, and \$483,943 in fiscal year 2017. The estimated costs include the necessary positions to carry out the Division's licensing and supervisory responsibilities.

- 6. If the proposed regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

Based upon an analysis of the number of non-depository mortgage loan servicers registered with the Division pursuant to NRS 645F.265, the proposed regulation is expected to generate approximately \$425,000 in applications fees in fiscal year 2016, and in fiscal year 2017, \$191,000 in renewal fees and a supervision fee based upon the value of mortgage loans, as

defined in the proposed regulation, being serviced by the licensee for the preceding 12-month period.

Revenue generated from the proposed regulation would fund the ongoing staffing needs and support costs required to carry out statutory responsibilities.

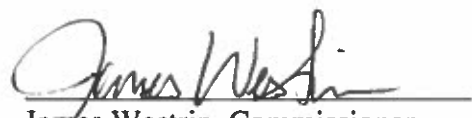
- 7. If the proposed regulation includes provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.**

Not applicable.

- 8. The reasons for the conclusions of the agency regarding the impact of a regulation on small businesses.**

The Division reviewed and considered the comments received in response to its solicitation and during the legislative hearings concerning AB 480.

*I certify that, to the best of my knowledge or belief, the information contained in this statement was prepared properly and is accurate.*

  
James Westrin, Commissioner  
Division of Mortgage Lending